



## **FOR IMMEDIATE RELEASE**

### **Xenos earns \$0.07/Share in First Quarter on 51% Revenue Growth**

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**TORONTO, Ontario, February 17, 2003** Xenos (TSX:XNS), the data to e-content™ company, today reported financial results for its first quarter ended December 31, 2002 which included continued year-over-year revenue growth, increased cash flow and earnings per share on a fully diluted basis of \$0.07 for the quarter.

For the three-month period ended December 31, 2002, Xenos reported revenues of \$4,795,000, a 51% increase over revenues of \$3,179,000 for the same period last year. The Company reported a fourth consecutive quarter of positive EBITDA. First quarter EBITDA was \$917,000, a substantial improvement over negative EBITDA of (\$96,000) for the same period last year.

The first quarter represented a third consecutive quarter of profitability, producing net earnings of \$593,000, or \$0.07 per share, compared with a net loss of (\$283,000), or (\$0.03) per share, for the first quarter of fiscal 2002.

At December 31, 2002, Xenos reported a cash position of \$12,908,000 or \$1.50 per common share. This represents an increase of \$863,000 during the quarter.

The first quarter saw a number of important product milestones. The Company released the first version of Xenos d2e Vision™ for general distribution shortly after the New Year. Xenos has already generated significant interest for d2e Vision, including prospects in Asia. Xenos also released Version 5.2 of Xenos d2e Platform. The new version contains support for improved document fidelity, high quality complex graphical output, enhanced security features and faster viewing on the Web.

"I am particularly delighted with the release of Xenos d2e Vision," said Stu Butts, Chairman and CEO of Xenos. "Vision's double byte language support opens up a whole new vista for us. We can now transform Asian languages so that our long cherished technological goal of enabling our customers to 'Print or View Anything Anywhere' is now attainable in the important Chinese and Japanese markets as well as markets served by other double byte languages."

"All aspects of Xenos operations functioned well in the quarter. Business conditions remain challenging but we continue to remain optimistic about our prospects for achieving our stated targets for the full year," said Jim Farmer, President and COO.

During the period, significant sales were made to Charles Schwab, EDS Canada, ProCard, United Healthcare, ISM Canada, SuperValu, State of Michigan, ADP, Fireman's Fund, Den Norske Bank, Egg, Unedic, Credicard Orbitall Brazil, Telefonica Chile, Print Laser Brazil.

*Financial Highlights - Unaudited (complete statements are attached):*

Period Ended December 31, (in CDN\$,000 except per share amounts)	Three Months	
	2002	2001
Sales	<b>4,795</b>	3,179
Gross Profit	<b>3,510</b>	2,543
EBITDA	<b>917</b>	(96)
Net earnings (loss)	<b>593</b>	(283)
Net earnings (loss) per share	<b>0.07</b>	(0.03)
Cash & short-term investments	<b>12,908</b>	12,654
Cash per Share	<b>1.50</b>	1.50
Common Shares Outstanding	<b>8,608</b>	8,408

### **Conference Call – Monday, February 17 - at 10:00am (Eastern Standard Time)**

A conference call for shareholders, analysts and other members of the investment community has been scheduled at 10:00am (Eastern Time) on Monday February 17, 2003. Stuart Butts, Chairman and CEO, Jim Farmer, President and Rob Kunihiro, Chief Financial Officer will discuss the financial results and provide updates on operations. To participate, please dial 800-814-4857, or locally 416-640-4127, approximately 10 minutes before the conference call on Monday February 17.

The conference can also be heard over the Internet at [www.xenos.com](http://www.xenos.com). A recording of the conference call will be available from 12:00 pm EST, Monday February 17, until 11:59 pm EST Monday February 24. Please dial 877-289-8525 and enter the reservation number 237112# to listen to the rebroadcast. The call will be archived on the Xenos web site at [www.xenos.com](http://www.xenos.com).

### **About Xenos**

Xenos ([www.xenos.com](http://www.xenos.com)) provides software and solutions that enable organizations to transform, re-purpose and distribute electronic content to support their e-business and print strategies.

Xenos d2e Platform™ transforms legacy printstreams into standard electronic formats, for applications such as electronic statement presentment, enterprise content management/archiving, print automation and customer relationship management.

Xenos d2e Vision™ is our next-generation transformation software suite built on years of experience with d2e Platform at many customer sites worldwide. Written in Java, d2e Vision supports Asian languages that use double-byte character sets. It is designed to be scalable and extensible for dynamic e-business solutions.

infoWEB™ software enables organizations to extract, publish and disseminate critical business information throughout the enterprise. Once processed by infoWEB, clients can access this information using any standard Web Browser regardless of what platform, application or format the information was generated with.

Xenos partners with industry-leading software companies, such as IBM, to provide end-to-end solutions to customers. Xenos products are deployed at organizations worldwide, in industries including banking, insurance, brokerage and telecommunications. Xenos is

headquartered in Toronto, Canada, with offices in Dallas, Texas and the United Kingdom. Xenos trades on The Toronto Stock Exchange under the trading symbol "XNS", with approximately 8.6 million shares outstanding.

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**Xenos Group Inc.**  
Consolidated Statements of Operations  
(Unaudited)

	Three Months Ended December 31	
	2002	2001
Sales	\$ 4,795,244	\$ 3,179,296
Cost of Sales	1,285,084	636,245
Gross Profit	3,510,160	2,543,051
Expenses		
Sales and marketing	1,231,996	1,067,446
Research and development	731,808	859,563
Administration and general	629,686	712,277
Amortization	253,242	270,258
Interest expense	10,103	8,194
	2,856,835	2,917,738
Income (Loss) from operations	653,325	(374,687)
Other income		
Dividends, interest and other	53,215	147,983
Foreign exchange gain	32,737	15,893
Income (loss) before income taxes	739,277	(210,811)
Provision for income taxes	145,956	72,357
Net income (loss)	\$ 593,321	\$ (283,168)
Net income (loss) per common share		
- Basic	\$ 0.07	\$ (0.03)
- Fully-diluted	\$ 0.07	\$ (0.03)
Weighted average number of shares		
- Basic	8,608,251	8,408,250
- Fully-diluted	8,710,619	8,476,355

**Xenos Group Inc.**  
Consolidated Balance Sheets  
(Unaudited)

	As at December 31	
	2002	2001
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash & S.T. investments	\$ 12,908,051	\$ 12,653,829
Trade receivables	2,876,345	2,693,689
Other receivables	11,787	63,218
Prepays	341,686	337,004
Income taxes recoverable	-	53,720
Future income taxes	81,682	298,745
	16,219,551	16,100,205
<b>LONG TERM</b>		
Future income taxes	1,654,203	1,740,190
Capital assets	1,578,909	1,965,226
Other assets	2,438,568	1,800,234
Goodwill	2,034,681	-
	7,706,361	5,505,650
<b>TOTAL ASSETS</b>	<b>\$ 23,925,912</b>	<b>\$ 21,605,855</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness	\$ 500,000	\$ 500,000
Payables & accruals	2,445,900	2,047,423
Income taxes payable	158,859	401,346
Deferred revenue	3,038,938	2,372,300
Current portion - capital lease	29,193	-
	6,172,890	5,321,069
<b>LONG TERM</b>		
Capital lease obligations	21,874	-
Deferred revenue	25,275	84,277
	47,149	84,277
<b>TOTAL LIABILITIES</b>	<b>6,220,039</b>	<b>5,405,346</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	41,325,950	41,062,473
Retained earnings/(deficit)	(23,620,077)	(24,861,964)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>17,705,873</b>	<b>16,200,509</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 23,925,912</b>	<b>\$ 21,605,855</b>

**Xenos Group Inc.**  
Consolidated Statements of Cash Flows  
(Unaudited)

	Three Months Ended December 31	
	2002	2001
Operating activities		
Net income (loss)	\$ 593,321	\$ (283,168)
Amortization	253,242	270,258
Loss on sale of capital assets	589	1,258
Future income taxes	7,083	(23,115)
Other	227	-
Change in non-cash operating working capital	277,072	(1,176,357)
	1,131,534	(1,211,124)
Financing Activities		
Repayment of bank financing	-	(20,000)
	-	(20,000)
Investing activities		
Additional consideration paid on acquisitions	(13,264)	-
Purchase of capital assets	(101,237)	(38,292)
Proceeds on disposal of fixed assets	-	11,396
Development costs incurred	(154,125)	(292,092)
	(268,626)	(318,988)
Net increase (decrease) in cash and short term investments	862,908	(1,550,112)
Cash and short term investments		
Beginning of period	12,045,143	14,203,941
End of period	\$ 12,908,051	\$ 12,653,829